

Message Text

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AGRE-00 NRC-07 XMB-04 PA-02 PRS-01 /140 W
-----091928Z 099620 /42

R 091802Z MAY 77
FM AMEMBASSY BONN
TO SECSTATE WASHDC 8123
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMEMBASSY OTTAWA
AMEMBASSY TOKYO
USMISSION EC BRUSSELS
USMISSION OECD PARIS

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E.O. 11652: N/A
TAGS: EGEN, EFIN, ENRG, ETRD, GW
SUBJECT: FIRST REACTIONS TO DOWNING STREET SUMMIT

1. SUMMARY AND INTRODUCTION: GERMAN PRESS, TV AND
RADIO HAVE DEVOTED CONSIDERABLE ATTENTION TO DOWNING
STREET SUMMIT. OVERALL REACTION HAS BEEN POSITIVE BUT
RESTRAINED BY A NOTE OF CAUTION, PARTICULARLY ON NUCLEAR
ENERGY POLICY. THE STRENGTHENING OF PERSONAL CONTACTS
BETWEEN THE CHANCELLOR AND PRESIDENT CARTER WAS
STRONGLY WELCOMED. SCHMIDT'S POST-SUMMIT INTERVIEW
IN LONDON FOR GERMAN TV CONCENTRATED ON QUESTIONS
RELATED TO THE ECONOMIC OUTLOOK FOR THE PARTICIPATING
COUNTRIES AND THEIR POLICY STANCE. IN A SEPARATE INTER-
VIEW, FINANCE MINISTER APEL DISPLAYED STRONG ENTHUSIASM
FOR THE CLOSE RAPPORT WHICH DEVELOPED BETWEEN THE
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PRESIDENT AND THE CHANCELLOR.

THE FRANKFURTER ALLGEMEINE REPORTED THAT THE SUMMIT
PRODUCED NO DRAMATIC CONTROVERSY AND NO SPECTACULAR
RESULTS. THE PARTICIPANTS AGREED THAT NO COUNTRY SHOULD
TRY TO SOLVE ITS ECONOMIC DIFFICULTIES BY ITSELF, BUT
RATHER SHOULD DEAL WITH THEM IN CLOSE COOPERATION WITH

OTHER COUNTRIES. UNDER THE HEADLINE "MORE GROWTH - BUT NOT AT THE COST OF STABILITY," DIE WELT REPORTED THAT THE FRG DELEGATION SUCCEEDED IN ELIMINATING DIFFERENCES OF VIEW WITH THE CARTER ADMINISTRATION, AND IN WARDING OFF DEMANDS FOR ADDITIONAL MEASURES TO STIMULATE ECONOMIC GROWTH. HANDELSBLATT HEADLINED ITS LEAD STORY WITH "NUCLEAR CONTROVERSY IS SAID TO BE DE-FUSED," BUT WENT ON TO POINT OUT THAT THE U.S. AND FRG COULD NOT ELIMINATE THEIR DIFFERENCES OF VIEW OVER THE EXPORT OF NUCLEAR FACILITIES. END SUMMARY AND INTRODUCTION.

2. ACCORDING TO THE HANDELSBLATT ONE OF THE FEW CONCRETE ACCOMPLISHMENTS OF THE LONDON SUMMIT WAS THAT THE USG AND THE FRG WILL PARTICIPATE IN A MULTILATERAL CREDIT TO PORTUGAL. THE PAPER STATES THAT PRESIDENT CARTER ASSUMES THAT OTHER COUNTRIES WILL ALSO PARTICIPATE. CONFERENCE PARTICIPANTS REPORTEDLY SAID THAT THE U.S. WILL MAKE AVAILABLE \$300 MILLION AND THE FRG \$200 MILLION FOR THE LOAN TO PORTUGAL.

3. HANDELSBLATT ALSO NOTES THAT, FROM THE GERMAN POINT OF VIEW, THE SCHMIDT-CARTER MEETING PUSHED EVERYTHING ELSE INTO THE BACKGROUND, EVEN THOUGH FINANCE MINISTER APEL AND HIS STATE SECRETARY POEHL HAD ALREADY CLEARED UP MOST GENUINE ECONOMIC DIFFERENCES DURING THE SECRET VERSAILLES MEETING AND DURING THE RECENT WASHINGTON IMF MEETING. THE HANDELSBLATT COMMENT CONTINUED THAT EVEN MORE THAN SUBSTANTIVE COORDINATION UNCLASSIFIED

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WAS THE ESTABLISHMENT OF A PERSONAL RELATIONSHIP BETWEEN THE CHANCELLOR AND THE PRESIDENT FOLLOWING THE EARLIER HARSH WORDS HEARD BOTH IN BONN AND IN WASHINGTON.

4. WHILE COMMENTING THAT THE SUMMIT PRODUCED NO DRAMATIC CONTROVERSY NOR SPECTACULAR RESULTS, THE FRANKFURTER ALLGEMEINE ZEITUNG IN AN EDITORIAL COMMENT POINTS OUT THAT THE FRG CAN NO LONGER BE PRESSURED BY OTHER COUNTRIES DEMANDING ADDITIONAL STIMULATION. ON THE OTHER HAND, HOWEVER, THE FRG HAS OBLIGATED ITSELF TO ACHIEVE THIS YEAR A REAL GROWTH OF 5 PERCENT. THIS IS "SURPRISING AND OBJECTIONABLE." FRANKFURTER ALLGEMEINE ZEITUNG SAYS THAT IF GOVERNMENT PLANNING DEMANDS A CERTAIN PACE OF GROWTH THEN THE ECONOMY MUST BE ARTIFICIALLY STIMULATED AND COULD ONCE AGAIN GET OUT OF HAND. MAYBE BONN GOVERNMENT QUARTERS FEEL THAT COMMITMENT DOESN'T AMOUNT TO MUCH SINCE THE NEW STIMULATING MEASURES HAVE BEEN INITIATED

AND THE YEAR HAS PROGRESSED. HOWEVER, EVEN IF THE
PRACTICAL MEANING OF THE COMMITMENT FOR THIS YEAR IS
MARGINAL A REGRETTABLE PRECEDENT HAS BEEN ESTABLISHED
FOR THE FUTURE.

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5. IN AN INTERVIEW FOR GERMAN TELEVISION CHANCELLOR
SCHMIDT SUNDAY EVENING STATED THE FOLLOWING: "THE
NEWSPAPERS CLAIMED BEFORE (THE SUMMIT) THAT WE WOULD
BE REQUESTED TO MAKE MORE INFLATION. NOW THE SEVEN OF
US HAVE JOINTLY FOUND THE OPPOSITE (TO BE THE CASE).
IF WE SHOULD RECOGNIZE DURING THE COURSE OF THE YEAR
THAT THE DATA ANTICIPATED IN THE (GERMAN GOVERNMENT'S)
ANNUAL ECONOMIC REPORT SHOULD NOT BE REACHED (EDITORIAL
NOTE: ROUGHLY 5 PERCENT REAL GNP GROWTH TARGET
SPECIFIED IN THIS REPORT), THEN THE FEDERAL GOVERNMENT
CERTAINLY WILL ADOPT ADDITIONAL MEASURES. THESE
MEASURES MUST NOT NECESSARILY BE OF THE SHOT-IN-THE-ARM

VARIETY ("SPRITZE")."

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6. FINANCE MINISTER APEL, IN A TV INTERVIEW OBSERVED:
". . . AND THERE ARE COUNTRIES WHICH HAVE NO INFLATION,
NO BALANCE OF PAYMENTS PROBLEMS -- ON THE CONTRARY (THEY
HAVE) HIGH FOREIGN EXCHANGE SURPLUSES, BUT HIGH
UNEMPLOYMENT, AS WE DO. OF THESE COUNTRIES ANOTHER
STRATEGY MUST BE DEMANDED. THAT IS FIRSTLY: TO HELP
THE NEIGHBORS SO THAT THE NEIGHBORS, VIA ASSISTANCE
IN THE AREA OF FOREIGN EXCHANGE RESERVES, CAN
CONTINUE TO BUY FROM US; AND SECONDLY, IN THAT WE ARE
EXPECTED TO ROUGHLY REACH OUR GROWTH TARGET OF 4.5
TO 5 PERCENT (EDITORIAL NOTE: THIS REPRESENTS A
SLIGHT DOWNWARD SHADING OF THE GOVERNMENT'S OFFICIAL
TARGET, SEE PREVIOUS PARA). WE ARE QUITE HOPEFUL
IN THIS RESPECT."

7. APEL, IN RESPONSE TO A QUESTION WHETHER THERE ARE
ANY DIFFERENCES OF VIEW BETWEEN THE U.S. AND FRG
SAID: "NO, IT IS GREAT HOW THE FEDERAL CHANCELLOR . . .
AND PRESIDENT CARTER . . . UNDERSTOOD EACH OTHER HERE,
HOW THEY ARE ON THE SAME WAVE LENGTH, HOW THEY
DEAL WITH EACH OTHER, THINK FOR EACH OTHER. THIS HAS
VERY MUCH IMPRESSED ME AS, IF I MAY SAY SO, A YOUNGER
POLITICIAN, AND GIVES ME ABSOLUTE ASSURANCE THAT THE
U.S. AND THE FRG GO HAND-IN-HAND IN THE MOST IMPORTANT
QUESTIONS -- AND THESE CURRENTLY ARE MONETARY
AND ECONOMIC QUESTIONS.

8. MOST GERMAN NEWSPAPERS AGREED THAT, WHILE PRESIDENT
CARTER'S DECISION TO RESUME THE DELIVERY OF HIGHLY
ENRICHED URANIUM TO EUROPE HAD EASED SOME OF THE
TENSIONS BETWEEN THE SUPPLIER NATIONS ON ONE SIDE
AND FRANCE, THE UK, AND FRG AND JAPAN ON THE OTHER,
NONE OF THE UNDERLYING PROBLEMS IN THE NUCLEAR FIELD
HAD BEEN RESOLVED. THERE WAS SPECULATION
THAT THE ESTABLISHMENT OF A JOINT WORKING GROUP OF
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HIGH-RANKING GOVERNMENT OFFICIALS MIGHT LEAD TO
SOLUTIONS WHICH GUARANTEE THE PEACEFUL UTILIZATION OF
NUCLEAR ENERGY WHILE PREVENTING ITS ABUSE. SOME
REPORTS NOTE THAT THE GERMAN DELEGATION EXPLICITLY
STATED THAT NEITHER THE RESULTS OF THE SUMMIT MEETING

NOR THE RECOMMENDATIONS OF THE EXPERT'S WORKING GROUP SHOULD ANTICIPATE DECISIONS WHICH HAD TO BE MADE BY THE MEMBERS OF THE NUCLEAR SUPPLIERS GROUP IN CONJUNCTION WITH "THRESHHOLD" COUNTRIES THAT HAD ACQUIRED THE NECESSARY NUCLEAR TECHNOLOGY. PRESIDENT CARTER'S STATEMENT THAT THE U.S. HAD NO INTENTION TO OFFER MANAGEMENT AND/OR DISPOSAL SERVICES FOR FOREIGN SPENT FUEL ELEMENTS IN THE U.S. WAS ALSO CARRIED BY THE PAPERS.

9. IN HIS POST-SUMMIT TV INTERVIEW, CHANCELLOR SCHMIDT STATED THAT HE HAD RAISED THE ISSUE OF THE FRG-BRAZIL NUCLEAR CONTRACT. HE EXPLAINED THAT HE REITERATED THE FRG'S POSITION THAT THE CONTRACT WENT BEYOND THE SAFEGUARDS REQUIREMENTS THAT GERMANY IS OBLIGED TO IMPOSE UNDER EXISTING BILATERAL AND INTERNATIONAL TREATIES. HE STATED THAT NO ONE OBJECTED TO THIS BEFORE OR

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DURING THE CONFERENCE, AND THAT SAFEGUARDS AND NON-PROLIFERATION ISSUES WILL REQUIRE WEEKS AND EVEN MONTHS OF DEEP CONSIDERATION TO SOLVE. IN HIS VIEW, THE WORLD PRESS HAD OVERDRAMATIZED THE DIFFERENT SAFEGUARDS APPROACHES THAT HAD BEEN PROPOSED.

10. WHEN ASKED ABOUT THE PRESIDENT'S POLICY ON FOREIGN FUEL ELEMENT STORAGE IN THE U.S., SCHMIDT REPLIED (EMB INFORMAL TRANSLATION) "WE HAVE NEVER APPLIED FOR ANY SUCH STORAGE, BUT IN THE DOMESTIC DISCUSSION THIS TOPIC HAS COME UP FREQUENTLY. . . . THEY HAVE MADE CLEAR THAT THIS IS THE RESPONSIBILITY OF EVERYBODY THAT EMPLOYS NUCLEAR ENERGY."

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11. WITH RESPECT TO ENERGY CONSERVATION AND THE DEVELOPMENT OF NEW ENERGY SOURCES, SCHMIDT CHARACTERIZED THE RESULTS AS "VERY POSITIVE". HE WELCOMED CARTER'S DECLARATION THAT THE U.S., BECAUSE OF ITS HIGH ENERGY CONSUMPTION, WILL HAVE TO BE THE FIRST TO CONSERVE.

12. REACTION TO THE SUMMIT DISCUSSIONS OF A COMMON APPROACH TO THE UPCOMING CIEC MINISTERIAL WAS OVERSHADOWED BY OTHER ISSUES. THE PRESS ONLY NOTED THE U.S. ACCEPTANCE OF THE EC-SUGGESTED BILLION DOLLAR "SPECIAL ACTION" FUND AND THE LACK OF AGREEMENT ON A COMMON FUND OR THE GERMAN-PROPOSED GLOBAL STABEX. THERE WAS EDITORIAL COMMENT, HOWEVER, THAT THE UPCOMING CIEC MINISTERIAL WOULD QUICKLY TEST THE VALUE OF THE LONDON SUMMIT. IN HIS POST-SUMMIT INTERVIEW CHANCELLOR SCHMIDT WELCOMED THE INCLUSION OF ALL ESSENTIAL ELEMENTS OF THE COMMON EC POSITION IN THE COMMUNIQUE, BUT DWEILED MORE ON THE ACCEPTANCE BY THE SUMMIT PARTICIPANTS OF A GERMAN PROPOSED ITEM IN THE COMMUNIQUE TO CALL ON THE COMMUNIST COUNTRIES TO DO MORE FOR THE THIRD WORLD.

13. TRADE ISSUES WERE GIVEN SCANT BUT MOSTLY CRITICAL COMMENTARY BY THE GERMAN PRESS. FRANKFURTER RUNDSCHAU REPORTED THAT PROBLEMS IN THE STEEL, SHIPPING AND TEXTILE SECTORS SWEEPED AWAY BASIC CREDOS. DIE WELT ARGUED THAT, DESPITE THE LANGUAGE OF THE COMMUNIQUE, DIRIGISM CAME THROUGH THE BACK DOOR IN THE FORM OF AGREEMENTS TO AVOID MARKET DISTURBANCES, BECAUSE PRESIDENT CARTER MADE IT CLEAR THAT HE WANTS TO MARCH IN THIS DIRECTION. ON THE OTHER HAND, SCHMIDT IN HIS TV INTERVIEW DEFENDED THE SUMMIT CONCLUSIONS OPPOSING THE SPREAD OF TRADE BARRIERS, AND STRESSED THAT THIS

WAS A SECTOR IN WHICH PRESIDENT CARTER AND HE OPERATED
VERY CLOSELY WITH EACH OTHER.
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Message Attributes

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